

INNOVATION AGRICULTURE FINANCING

**ECONOMIC ASSOCIATION OF NAMIBIA:
AGRICULTURAL CONFERENCE**

**INDILENI NANGHONGA
AGRIBANK**

WHAT IS INNOVATION?

Two key things

FIND
SOMETHING
NEW



- What is the Purpose?
- Solving problems
- Realising opportunities

- What problems are we solving?
- For whom are we realising these opportunities

NAMIBIA SPECIFIC AGRICULTURAL CHALLENGES AND OPPORTUNITIES



NAMIBIA SPECIFIC AGRICULTURAL CHALLENGES

Regulatory Environment

- Fragment Policies and Agriculture Role Players

Production risks

- Linked to natural hazards.
- Market uncertainty

Limited collateral

- Lack the collateral traditionally required by banks to secure loans.

High transaction

- customer visits/follow ups.

Land ownerships and Management

- Land degradation. There is an over-reliance of rain fed agriculture and low adoption of technology.

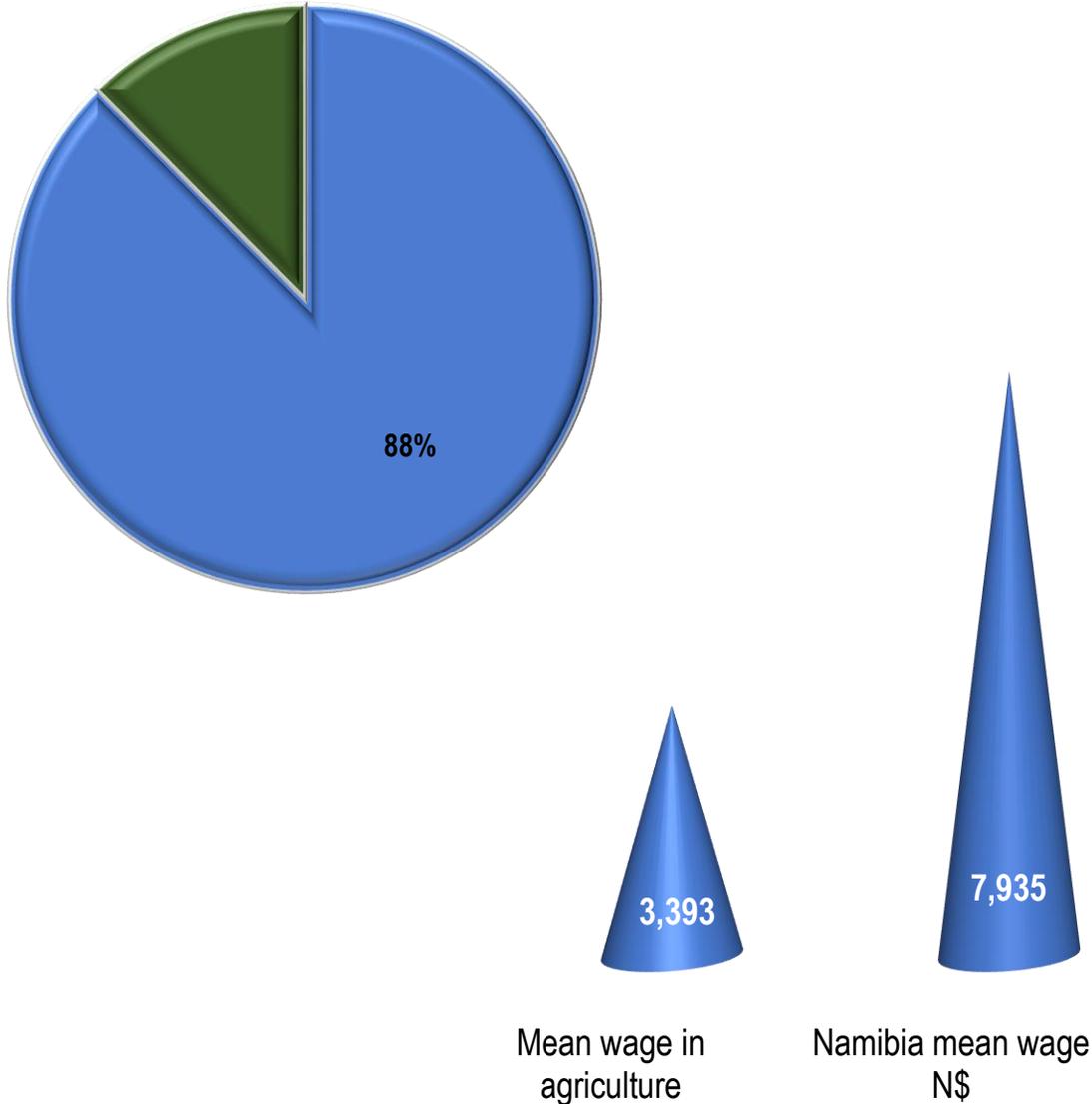
Poor infrastructure in rural areas

- Poor roads, erratic electricity provision, and lack of communications systems



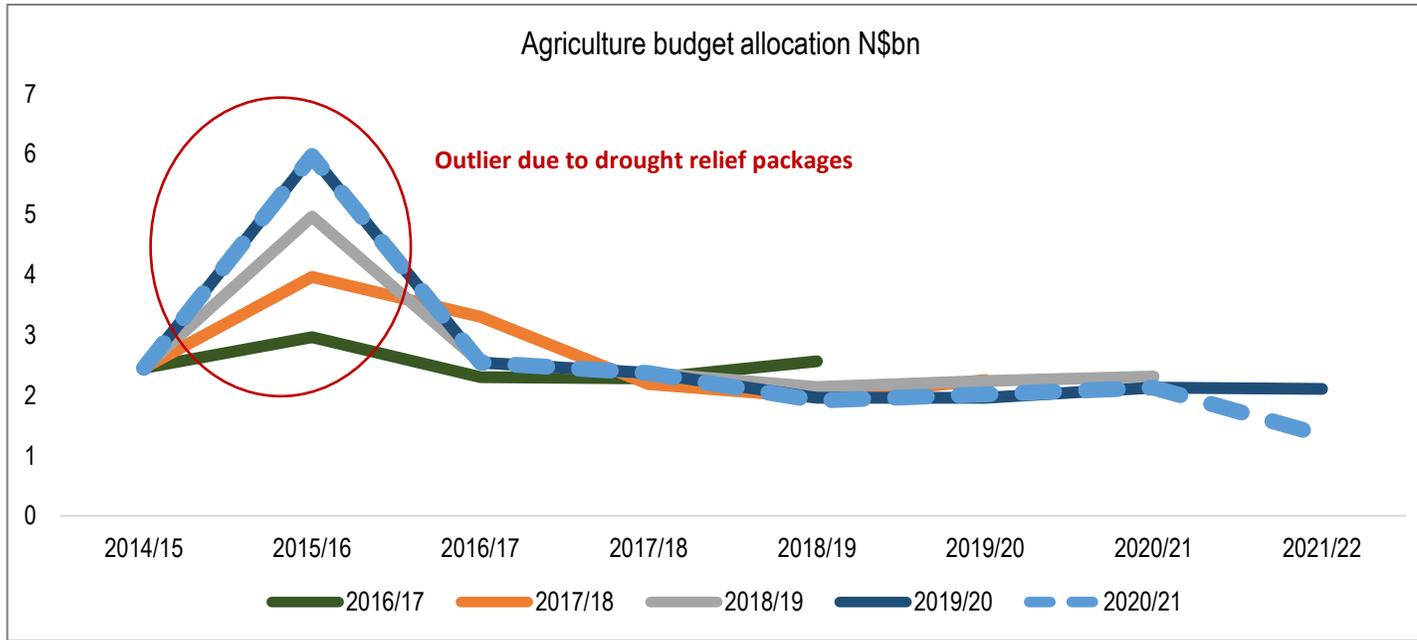
LACK OF MAXIMUM UTILIZATION OF THE AVAILABLE SKILLS

Informal employment in the Agricultural sectors



- Statistics shows that 66% of the agriculture employment are skilled occupation. 88% of Agri-employment is informal thus a low mean wage of 3,393 per month.
- Training and upskilling farmers - Agribank's client base stood at 4,701 in 2019/20, translating into 37,608 employment created and/or maintained.

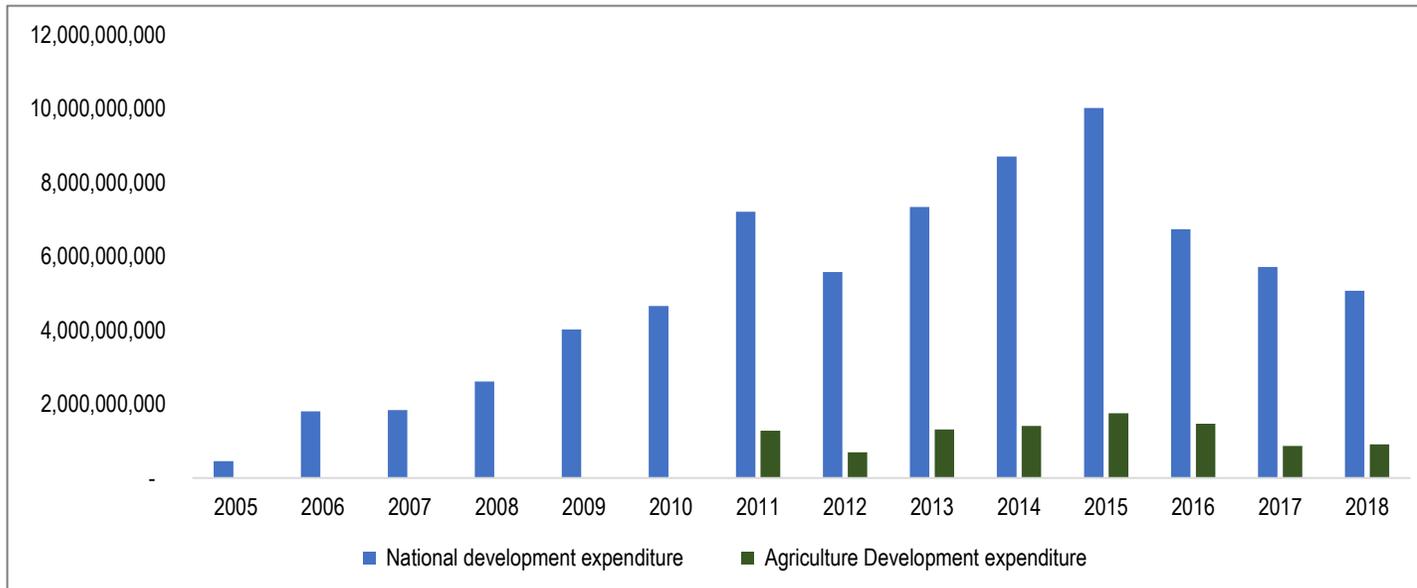
PUBLIC INVESTMENT IN AGRICULTURE



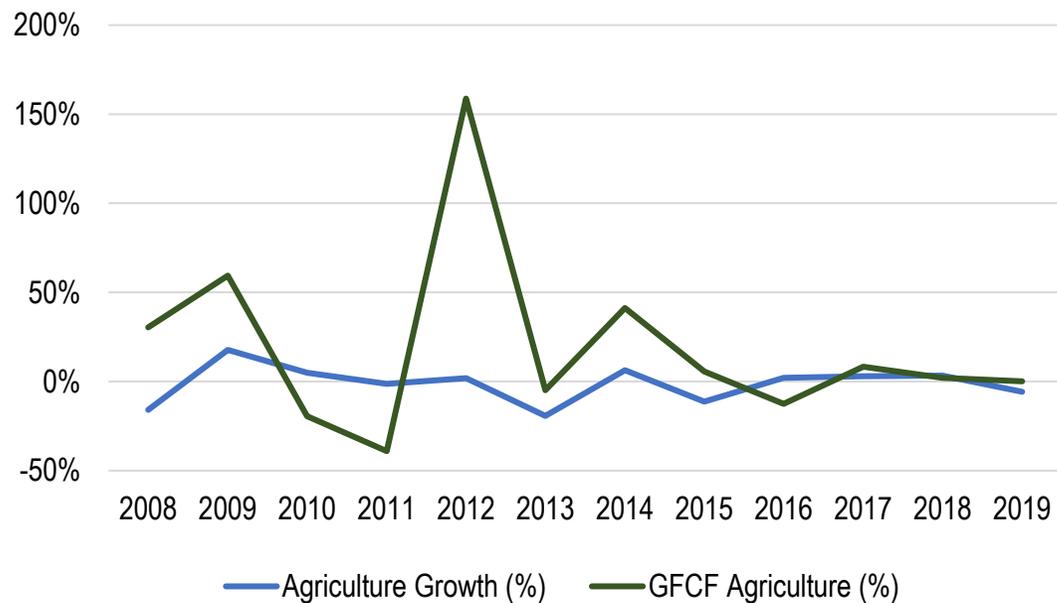
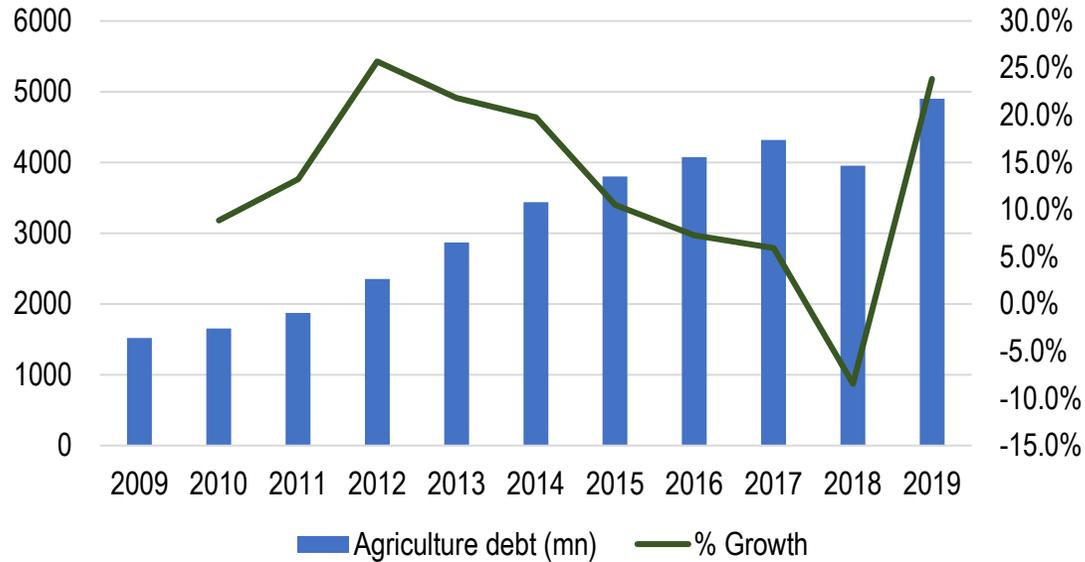
➤ Public and private investment in agriculture has been on a downward trajectory. With budget allocations to agriculture water and forestry dropping on average by 7% over the last 4 years.

➤ More focus was placed on mining, construction and wholesale and retail sector investment.

➤ Furthermore, national developmental expenditure has been declining putting a dent on agricultural development expenditure.

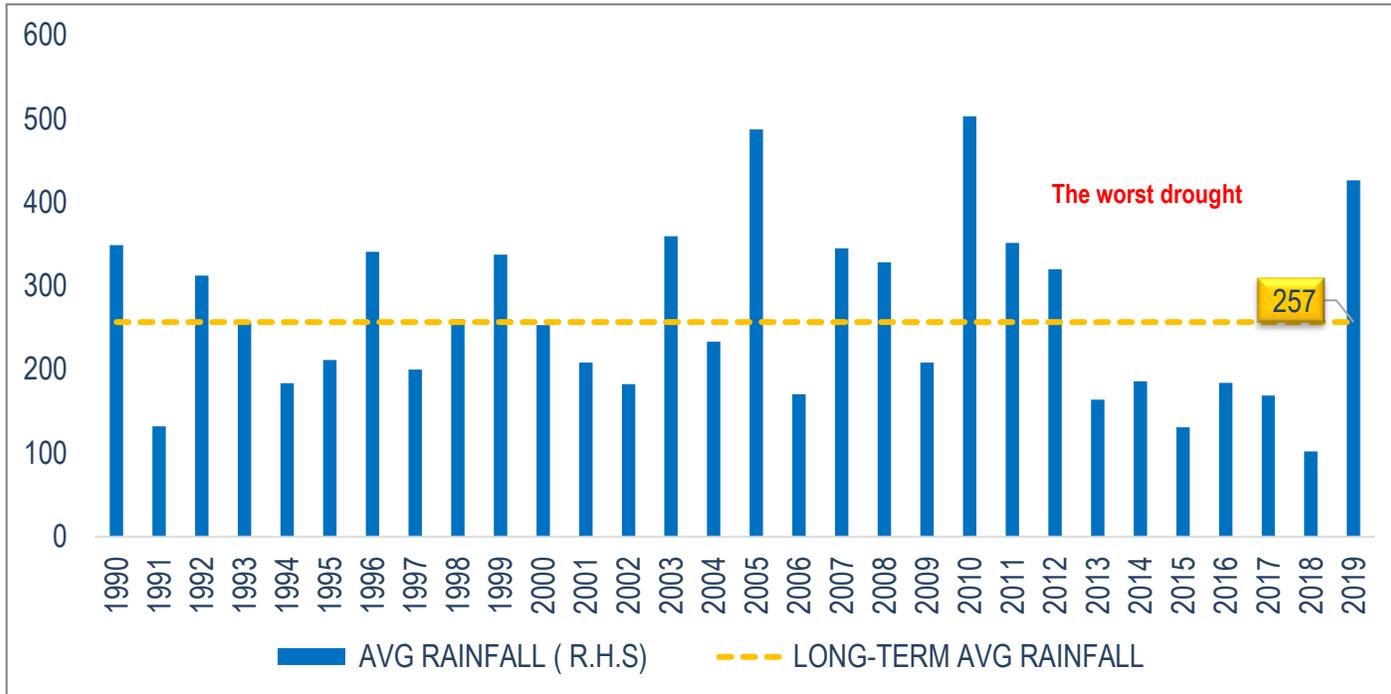


AGRICULTURE DEBT VS AGRICULTURE GROWTH

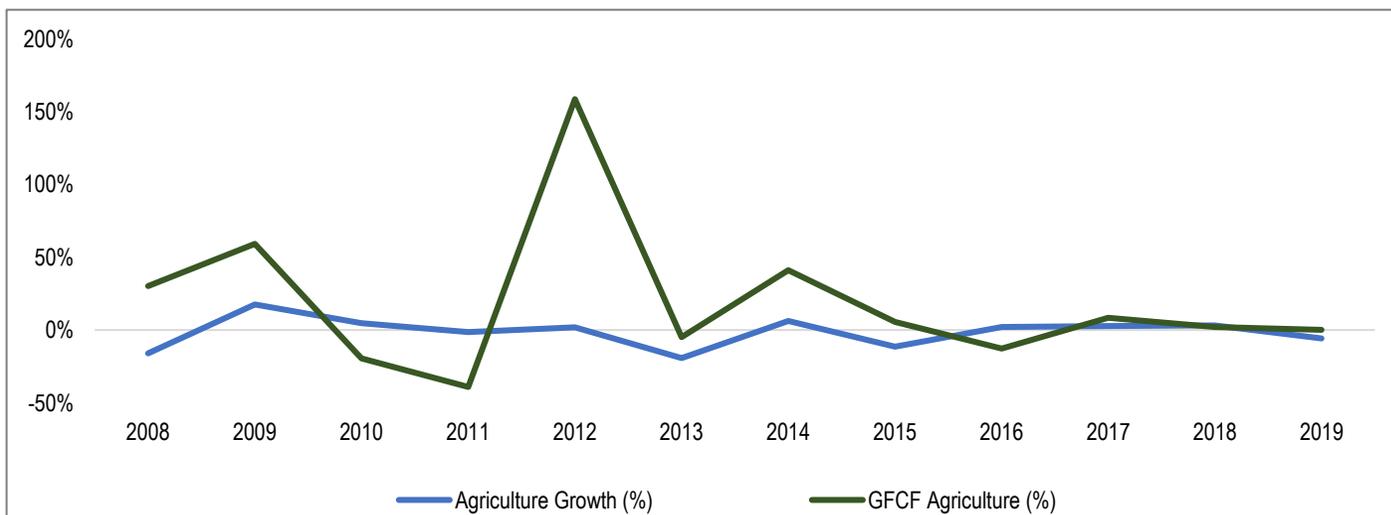


- Total Agricultural debt is approximately N\$8bn, of which 39% of the debt is financed through Agribank.
- Given that the agriculture sector is skewed to primary production (crop and livestock production), one could argue that the prolonged drought period had a toll on the sector performance affecting the repayment ability.
- Supply of agriculture finance is not major concern for the agriculture sector, access to finance and productivity is rather a cause for concern.
- Access to markets by small-scale farmers is cited as a challenge.

RAINFALL VS AGRICULTURE GROWTH



- Climate change is a measurable reality posing significant social, economic and environmental risks and challenges
- It is evident that the below normal rainfall experienced since 2013 is consistent with a declining trend in agriculture performance and aggregate investment in agriculture
- The prolonged drought experienced in the country remains a challenge to farmers and investors in agribusiness.
- Disease status in the northern communal areas presents a major challenge to an efficient livestock marketing and farmers income.



WHY HAVE'NT WE ADDRESSED THE CHALLENGE?

- 1 ➤ Impact measurement should be part of the resolution strategy
- 2 ➤ Mismatch between financial institutions and entrepreneurs. Type of capital or investments
- 3 ➤ Distribution and Allocation of capital in an efficient way
- 4 ➤ Cycle support – training, coordination by funders.





THE BANKS ROLE



MISSION

- To provide affordable and sustainable innovative financial solutions towards socio-economic development in Namibia



VISION

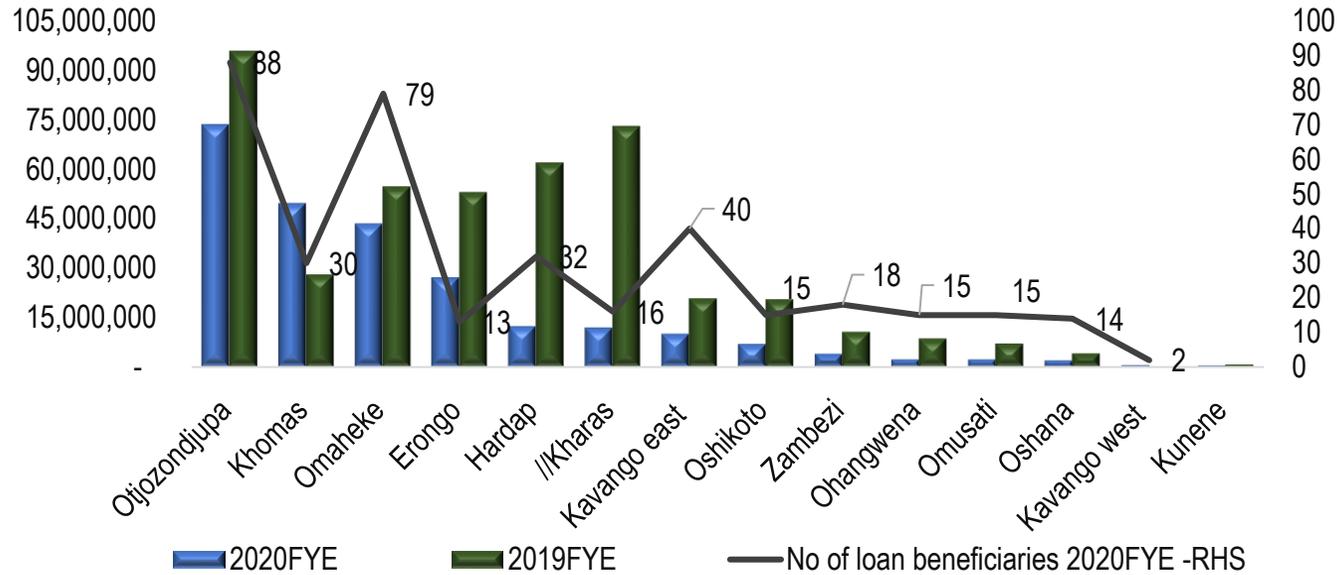
- To be the catalyst in transforming the agricultural sector where every Namibian enjoys a quality life.



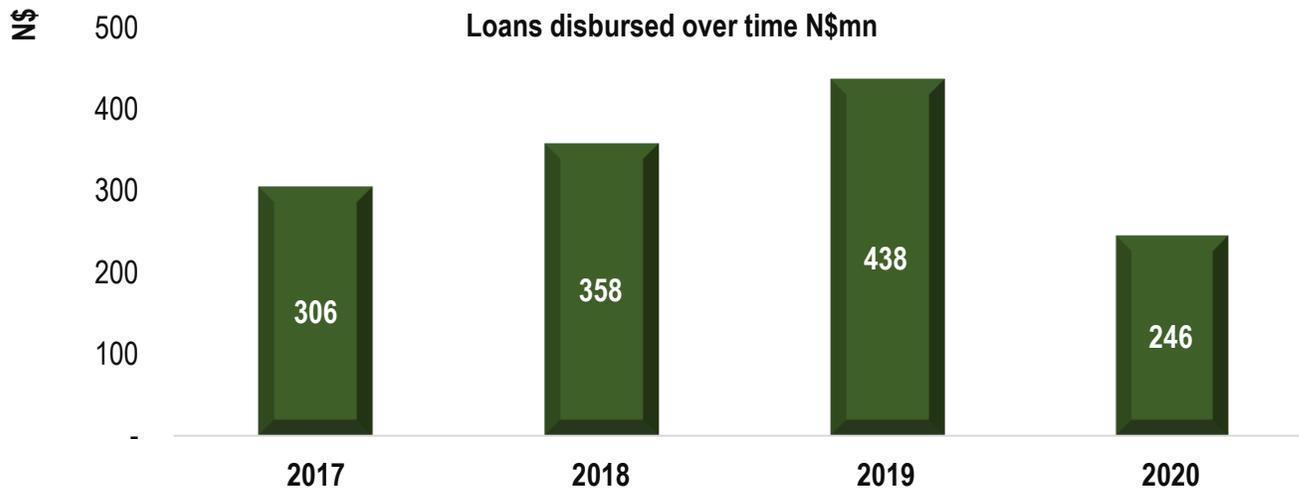
MANDATE

- The Act mandates Agribank to advance money to persons or financial intermediaries to promote agriculture and activities related to agriculture.

THE BANKS LOAN BOOK AND STRATEGIC FOCUS



- The Bank disbursed loans worth N\$ 246 million, benefiting 389 customers in 2019/20.
- A significant number of farmers in Otjozondjupa and Omaheke regions who benefitted from loan disbursements, are communal farmers.



- This is a clear demonstration that the Bank is reaching out to communal farmers.
- Innovation in terms of product offerings and support services will improve access to credit by communal farmers.

TWO WAY TO INVONATIVE FINANCING

Funding existing value chains

- Pool of funds from government institutions with a common objective of promoting agric development (*Revolving fund- lower interest rate- small-scale- managed a financial institution*)
- Relaxed conditions for collateral
- Contract financing
- Filling the gab in an existing structure
- ERF and salary backed loan products
- The women and youth product offers the opportunity of using off-take agreements
- Funding skills development for farmers

Directing funding towards innovation

- Private direct investment in new and viable projects (blended finance, project finance)
- Blended finance is the mobilization of both grant monies and private capital towards the achievement of a specific impact investment opportunity.
- Grant: feasibility study, capacity building, project design to de-risk the investment
- Strategically allocate green funds to emerging value chain initiatives such as Bush to Feed, Fodder Production, Agro-processing, Biochar, Poultry, Piggery and Natural oil products.

FOOD FOR THOUGHT

There is a vast opportunities in the agricultural sector.

We just need to focus on improving local productivity in terms of commercialised quality production.

Covid-19 and the notion of deglobalisation is an eye-opener to the Namibia nation to embark on food self sufficiency.

*Thank
you*

